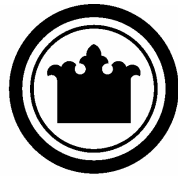


# **PERFORMANCE AUDIT**

## **NEW CONSTRUCTION ASSESSMENTS**



**King County**

Presented to  
the Metropolitan King County Council  
Labor, Operations & Technology Committee  
by the  
County Auditor's Office

Cheryle A. Broom, King County Auditor  
Rob McGowan, Principal Management Auditor  
Allan Thompson, Senior Financial Auditor  
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Report No. 2006-02  
June 13, 2006

## Metropolitan King County Council

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## M E M O R A N D U M

**DATE:** June 13, 2006

**TO:** Metropolitan King County Councilmembers

**FROM:** Cheryle A. Broom, County Auditor

**SUBJECT:** Performance Audit of New Construction Assessments

Attached for your review is the Performance Audit of New Construction Assessments. Revenue generated through new construction is exempt from Initiative 747's limit on tax growth; therefore, new construction assessments play an important part in adding new revenue to the county's budget. The audit objective was to evaluate the effectiveness of new construction assessments, including legal compliance, Assessor's Office's processes, and new assessment forecasts for budgeting purposes.

While we found the Assessor's Office in overall compliance with relevant laws related to new construction assessments, we identified some areas where the appraisal of new construction can be improved operationally. The audit recommends continued efforts to strengthen the process for the submission of building permit data to the Assessor's Office. We also recommend that the Assessor's Office bolster its tracking and communication of performance results by reporting performance measures and targets for new construction assessments in its annual business plan.

The process for forecasting the value of new construction assessments by the Executive's Office of Management and Budget (OMB) is accurate. However, we believe that the process would benefit from more transparency and the exchange of information with the Assessor's Office.

Responses from the Assessor's Office and the Executive, included in the appendices, indicate that they concur with the audit findings and recommendations.

The Auditor's Office sincerely appreciates the cooperation received from the management and staff of the Assessor's Office and the OMB.

CB:yr

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# EXECUTIVE SUMMARY

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## Introduction

The King County Assessor's Office is responsible for establishing the value of real and personal property for the purpose of taxation. This performance audit focuses on the process involved in assessing the value of new construction within the county.

The Assessor's Office discovers new construction primarily through the issuance of building permits by 39 municipalities within the county. Also, the county's Department of Development and Environmental Services (DDES) issues permits for the unincorporated areas of the county.

In looking at key state statutory requirements and the assessment of new construction by the Assessor's Office, we found the office in overall compliance with the law. In evaluating the assessment of new construction, we identified some areas where the appraisal of new construction can be improved operationally.

The audit recommends streamlining the process for the submission of permits and permit data to the Assessor's Office by transitioning from a manual to an electronic system and developing a quality control process for permit data submittal. The audit also suggests that the Assessor's Office include performance measures for new construction assessments in its annual business plan.

The final objective of the audit was to review the process for forecasting the value of new construction assessments by the County Executive's Office of Management and Budget (OMB). While the projections are accurate, we believe that the process would benefit from more transparency and the exchange of information with the Assessor's Office.

### **The King County Assessor's Office and New Construction Assessments**

The King County Assessor's Office is responsible for assessing the value of over 650,000 residential and commercial parcels of real property. Once assessed, these property values are multiplied by levy rates to determine the amount of tax to be collected. That revenue is available for King County and more than one hundred other legal taxing districts residing within the county. The Assessor has three major responsibilities in real property assessments: annual reevaluation of each parcel, annual physical inspection of one-sixth of the parcels, and assessment of new construction. This audit focuses only on the Assessor's new construction function.

New construction is any improvement to a piece of property that adds to the assessed value of that property and is not or would not be considered part of normal maintenance and/or repair due to age or usage. New construction that adds value to the property generates a one-time assessment that represents the fair market value of the new improvements.

Revenue generated by new construction assessments plays an integral part in the budgeting process. When the value of new construction assessments are added to the tax rolls, each taxing district receives an annual revenue increase reflecting the newly assessed value. The revenue from the new construction assessment is then considered part of the next year's maximum allowable property tax revenue. This effectively allows the county and other taxing districts to expand their revenue base. Further, with the passage of Initiative 747, in 2001, taxing districts are limited to a one-percent annual increase in taxes without voter approval. However, I-747 does not limit additional tax revenues generated by new construction.

### **Conclusions and Recommendations**

We found several areas for the Assessor's Office to improve the processes for assessing new construction. We divided our discussion into three chapters: processes, productivity and performance measurement, and forecasting the dollar values of new construction assessments.

### **New Construction Assessment Process**

We found areas in which the Assessor's Office could improve its practices for obtaining building permit data. There are 40 agencies issuing building permits within the county, and criteria for the submission of building permit data are not enforced, which creates a risk that some new construction building permit data will not be sent in a timely manner or at all. In addition, the current practice of mailing or otherwise submitting hardcopy permit data fails to take advantage of computer systems already in place in the majority of the permitting agencies, which if used could improve efficiency and reduce typographical and other errors. The Assessor's Office is in the process of developing an electronic system for the submission of building permit data. Finally, there are no processes for jurisdictions to validate and reconcile the data they have provided to the Assessor's Office.

Recommendation 1: The Assessor's Office should continue its efforts to transition to a predominantly electronic building permit submission system and its simplification of permit submission criteria.

Recommendation 2: The Assessor's Office should work with the permitting agencies to build quality control features into its electronic permit submission system to ensure data reliability.

### **New Construction Productivity and Performance**

#### **Measurement**

The Assessor's Office currently does not include performance measures related to new construction assessments in its annual business plan. Since it appears that the Assessor's Office tracks key data on the new construction function, the inclusion of performance measures and targets would be advantageous in demonstrating the efficiency and effectiveness of work performed.

Recommendation 3: The Assessor's Office should include in its 2007 business plan aggregate efficiency and effectiveness performance measures and targets for meeting its goals for new construction assessments.

### **Forecasting New Construction Assessments**

We found that despite the perception that new construction revenue forecasting has not been reliable, OMB's approach to forecasting has been more accurate than that of other Washington jurisdictions. However, there seems to be little understanding of the model, its output, and its accuracy. We believe that more communication and information exchanges between OMB and the Assessor's Office could increase confidence, transparency, and accuracy in the forecasting model.

Recommendation 4: King County OMB should work collaboratively with the Assessor's Office to prepare new construction revenue estimates for budgeting purposes.

### **Summary of Responses to the Audit**

The Assessor's Office and the Executive concurred with the audit's recommendations. See the appendices for the full responses.



**Acknowledgements**

We thank the staff from both the Assessor's Office and the Office of Management and Budget for their assistance to the auditors.

# 1 INTRODUCTION

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This chapter provides background for the King County Assessor's Office assessment of new construction and discusses our audit's objectives and methodology. It also identifies three key legal requirements for new construction assessments and concludes that the Assessor's Office is in compliance with one requirement, while permitting agencies<sup>1</sup> are not in compliance with one requirement. We are unable to verify compliance with the third requirement.

## The King County Assessor's Office

The mandate for the assessment of real property is found in the state constitution, state law, and county ordinance. Article VII of the Washington State Constitution provides for a uniform tax on property at true and fair value. Article XI vests the counties with the authority to assess and collect taxes. State law establishes assessors for each county and sets standards and qualifications for persons assessing real property. It also requires annual reports by county assessors to the state Department of Revenue.<sup>2</sup>

### **The Assessor Determines the Value of Property Subject to Taxation**

King County Code establishes the Assessor's Office and prescribes its primary duty as the determination of the value of property.<sup>3</sup> An elected County Assessor heads the Assessor's Office, which is responsible for assessing the value of over 650,000 residential and commercial parcels of real property. Once assessed, these property values are multiplied by levy rates to determine the amount of tax to be collected. That

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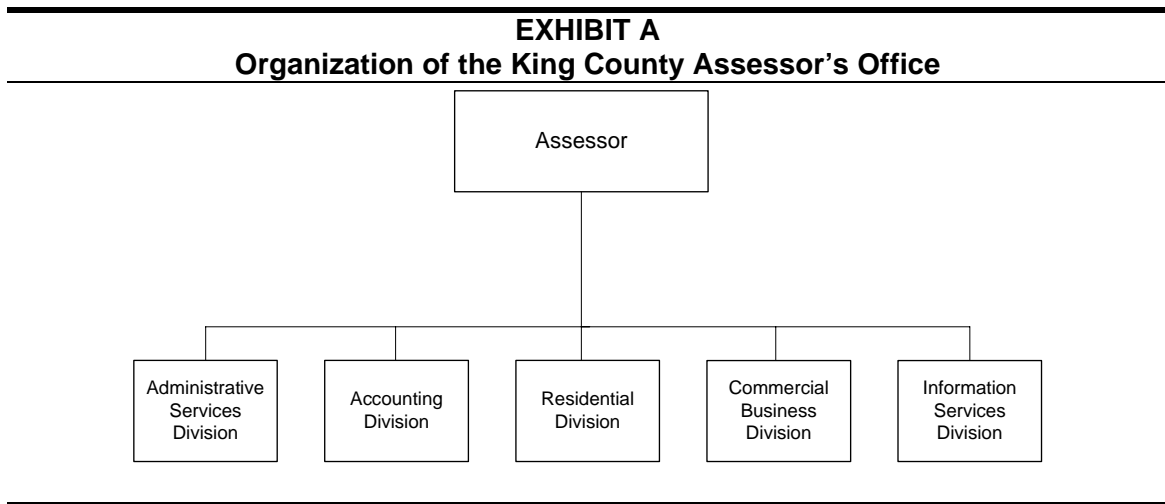
<sup>1</sup> In this report, "permitting agencies" refer to those entities that issue building permits within King County, including the 39 municipalities and the county Department of Development and Environmental Services.

<sup>2</sup> RCW 36.21, 36.21.015 and .100.

<sup>3</sup> KCC 2.16.210.

revenue is available for King County and other legal taxing districts residing within the county.<sup>4</sup>

The King County Assessor's Office has five divisions, shown in the following organization chart.



**SOURCE:** King County Assessor's Office

The 2006 Assessor's Office adopted budget is \$18.6 million, which funds 229 FTEs. Of the 229 FTEs, the Assessor's Office has 117 Appraisers: 81 in the Residential Division and 36 in the Commercial Division.<sup>5</sup>

**This Audit Focuses on  
the Assessment of New  
Construction**

The Assessor's Office has three major responsibilities in real property assessments:

1. Annual reevaluation of each parcel
2. Annual physical inspection of one-sixth of all parcels<sup>6</sup>
3. Assessment of the valuation of new construction

This audit focuses only on the Assessor's third responsibility, the assessment of new construction.

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<sup>4</sup> King County contains 151 taxing districts: 39 municipalities, 20 school districts, 28 fire districts, 27 water districts, 14 sewer districts, 22 special districts, and the county itself.

<sup>5</sup> These totals include senior appraisers with supervisory responsibilities.

<sup>6</sup> Annually completing site inspections for one-sixth of county parcels allows the Assessor's Office to visit each parcel at least every six years.

**New Construction Assessments**

New construction is any improvement to a piece of property that adds to the assessed value of that property and is not part of normal maintenance and/or repair due to age or usage. For example, building a single family residence on a vacant lot or building an addition to an existing structure is considered new construction. However, replacing an existing roof due to age or wear is not new construction. New construction that adds value to the property generates a one-time assessment that represents the fair market value of the new improvements.

**New Construction  
Assessment Revenue  
Allows Taxing Districts  
to Expand Their  
Revenue Base Because  
It Is Not Limited by  
Law**

Revenue generated by new construction assessments plays an integral part in the budgeting process. When the value of new construction assessments is added to the tax rolls, each taxing district receives an annual revenue increase reflecting the newly assessed value. The revenue from the new construction assessment is then considered part of the next year's allowable property tax revenue. This allows the county and other taxing districts to expand their revenue base. Further, with the passage of Initiative 747 in 2001, taxing districts are limited to a one-percent annual increase in taxes without voter approval. However, I-747 does not limit additional tax revenues generated by new construction.

Revenue provided by property taxes is a significant source of funding for local governments, with some local governments being more reliant on property tax revenue than others. The following table illustrates this by showing the difference in dependence on property tax revenue for select jurisdictions.

**EXHIBIT B**  
**Sample of King County Taxing Districts,**  
**Ranked by Percent of General Revenue Derived from Property Taxes**

<b>Jurisdiction</b>	<b>Rank of Property Tax</b>	<b>Property Tax Revenue</b>	<b>Percentage of General Revenue</b>	<b>Largest General Revenue Source (if other than property tax)</b>
King County Fire Protection District 2	1st	5,188,793	91.8%	
King County	1st	443,600,000	77.1%	
City of Seattle	1st	280,460,000	38.8%	
City of Covington	2nd	1,523,582	28.7%	Sales Tax
Seattle School District	2nd	104,819,646	24.9%	State
City of Bellevue	3rd	27,443,000	21.4%	Other Taxes

**SOURCE:** Entities' 2004 financial statements, Office of Superintendent of Public Instruction

**Property Taxes Are Levied on Taxable Value**

Normally, the amount of new construction assessments captured by the Assessor's Office in a given year is considerably larger than the amount used to determine tax revenues attributable to new construction. The primary basis for this lies in understanding the difference between *assessed value* and *taxable value*.

According to the International Association of Assessing Officers (IAAO), the assessed value of property is "the monetary value of a property as officially entered on the assessment roll for the purposes of computing the tax levy," while taxable value is "the appraised value ***minus all applicable partial exemptions.***" [emphasis added] Property taxes are levied on taxable value.<sup>7</sup>

For example, a construction project that adds \$100,000 in assessed value to a building does not necessarily add \$100,000 to the taxable value of the property. If the \$100,000 in new construction assessed value was added on a church or municipal building, the taxable value of the new construction is \$0, because

<sup>7</sup> Gloudemans, Robert J. *Mass Appraisal of Real Property*. International Association of Assessing Officers, 1999, pp. 351 and 401.

those buildings are exempt from property taxes. Also, if the \$100,000 in assessed value was built on a property for which the homeowner had applied for and obtained an exemption, the taxable value of new construction would be the \$100,000 assessed value less the exemption.

The following exhibit shows that new construction activity – both the value and the number of new construction parcels – has been steadily increasing. From 2002 to 2004, new construction parcels completed in one year grew 39 percent, from 13,161 to 18,349. The value of new construction assessments grew 17 percent in that same timeframe, from \$3.63 million to \$4.26 million.

**EXHIBIT C**  
**New Construction Revenue 2002 – 2004**

	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Value of New Construction Assessments</b>	\$3,630,197,747	\$4,150,654,901	\$4,258,194,886
<b>Value of All Parcels</b>	\$207,888,199,336	\$219,789,720,564	\$232,458,491,234
<b>New Construction Parcels</b>	13,161	16,590	18,349
<b>Total Parcels</b>	602,350	610,221	617,449

**SOURCE:** "A Comparison of County Assessor Statistics," Washington Department of Revenue, reports from 2003 – 2005; King County Adopted Budgets 2002-2004.

### **Audit Objectives**

Our audit evaluated the processes for assessing new construction real property values within King County. As part of the audit, we surveyed the procedures used by the King County Department of Development and Environmental Services (DDes) and municipalities for issuing building permits and the impact of this activity on the Assessor's Office. We identified key statutory requirements, including mandated timelines, and determined whether the Assessor's Office was meeting those requirements. Finally, we examined the cause and significance of differences in the estimates of the value of new construction assessments used for forecasting and budgeting purposes.

**Methodology**

To meet the objectives of this audit, we conducted interviews with staff from the Assessor's Office, the Office of Management and Budget (OMB), the Metropolitan King County Council, statewide and professional organizations, and assessment and budget offices in other counties in Washington State. We also administered an online survey of all permitting agencies within King County. In addition, we analyzed documentation and data from the Assessor's Office as well as building permit datasets from DDES and the City of Bellevue.

**Scope of Work Related to Internal Control**

We evaluated internal controls relevant to the audit objectives. This included a review of the Assessor's written policies, procedures, and techniques used for assessing new construction. The purpose of evaluating internal controls was to gain reasonable assurance that valid and reliable data was obtained for the audit and that the Assessor's Office was in compliance with the prevailing laws and regulations.

**Key Legal Requirements for New Construction**

We identified three key legal requirements for new construction assessments and evaluated compliance with these requirements. The table below summarizes our findings.

**EXHIBIT D**  
**Compliance with Key Legal Requirements**

<b>Requirement</b>	<b>Status of Compliance</b>
Permitting agencies must send all those permits valued at \$500 or more to the county assessor, and the permits must contain the property's parcel number. (RCW 19.27.140)	Permitting agencies are not always in compliance with requirement; however, the requirement may be impractical.
Assessors are required to make a physical appraisal of a property within 12 months of the issuance of a permit. (RCW 36.21.070)	We are unable to verify compliance with this requirement.
Assessors may place new construction on the assessment rolls up to August 31 <sup>st</sup> each year and shall notify the owner, or person responsible for payment of taxes of the value of any new construction that has been assessed. (WAC 458-12-342 part 2)	The Assessor's Office appears to be in compliance with this requirement.

**SOURCE:** RCW and King County Auditor's Office (KCAO's) analysis.

State law requires that 1) all permits with a total cost or fair market value of "\$500 or more" shall be transmitted by the issuing authority to the county assessor and 2) the building permit shall contain the county assessor's parcel number.<sup>8</sup>

**State Law Requiring  
Permitting Agencies to  
Send All Permits Over  
\$500 to the Assessor's  
Office . . .**

Our audit determined that the majority of permitting agencies in King County did not comply with this first requirement. Out of 40 permitting agencies, only one identified "building permits valued at \$500 or more" as the criterion they use to determine whether or not to send a permit to the Assessor's Office. As a practical matter, the "\$500 or more" value will yield a high volume of permits that would not be considered new construction. For example, permitting agencies would be required to send permits issued for minor plumbing and electrical projects as well as larger non-new construction projects such as the replacement of furnaces, roofs, or siding. While these permits could have a value greater than \$500, they do not add new construction assessment value to the property.

<sup>8</sup> RCW 19.27.140



**. . . Is Impractical**

Our audit determined that strict adherence to the “\$500 or more” value requirement in the law was impractical. Additionally, permitting agencies may not fully comply with the second part of the requirement, which is the inclusion of parcel numbers on permits.

Once a permit is issued, the Assessor’s Office is required to perform a physical appraisal of the property within 12 months from the *date of permit issuance* (emphasis added).<sup>9</sup> Our audit was unable to verify compliance with this requirement; however, this requirement may not be practical for two reasons. First, the permitting agency or Assessor’s Office may determine that an issued permit is for work that is not considered new construction, and therefore adds no value to the property. Secondly, an appraiser may establish through a telephone call, or other means, whether or not any work has taken place that requires inspection.

Finally, the Assessor’s Office must place all new construction on the current tax assessment rolls by August 31st each year.<sup>10</sup> The King County Assessor’s Office provides this information to the state Department of Revenue (DOR) in August. However, DOR allows counties to update new construction assessment figures after the August deadline. DOR does not certify county new construction figures until late fall.

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<sup>9</sup> RCW 36.21.070

<sup>10</sup> WAC 458-12-342 part 2

# 2 NEW CONSTRUCTION ASSESSMENTS PROCESS

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## Chapter Summary

This chapter describes the processes involved in assessing new construction with particular emphasis on the processes used to collect building permit data. Building permit data is important because the Assessor's Office becomes aware of approximately 95 percent of all new construction within the county through the issuance of building permits.<sup>11</sup> This chapter provides recommendations for strengthening these processes to increase the efficiency and effectiveness of the new construction assessments program.

## Summary of Findings

**Current Practices for Collecting Permit Data Create a Risk That Not All New Construction Permits Will Be Processed, but Improvements Are Underway**

We found areas in which the Assessor's Office could improve its practices for obtaining building permit data. The 40 permitting agencies within the county are not all following the Assessor's Office criteria for the submission of building permit data, which creates a significant risk that some new construction building permit data will not be sent in a timely manner or at all. In addition, the current practice of mailing hardcopy permit data fails to take advantage of permitting agencies' computer systems, which could improve efficiency and reduce typographical and other errors. Finally, there are no processes for permitting agencies to provide quality control on the data they have submitted to the Assessor's Office. As of Spring 2006, the Assessor's Office is currently developing an electronic permit submission system and is reworking and reissuing permit submission criteria.

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<sup>11</sup> The Assessor's Office does not track new construction by source of discovery. However, the Assessor's Office estimated that more than 95 percent of new construction is identified through building permits.

**Summary of Recommendations**

We recommend that the Assessor's Office continue its efforts to transition to an electronic building permit submission system and its simplification of permit submission criteria. We also recommend that the Assessor's Office work with the permitting agencies to build quality control features into its electronic permit submission system to ensure data reliability.

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**NEW CONSTRUCTION ASSESSMENTS****40 Different Entities  
Within King County  
Issue Building Permits**

Most commonly, the Assessor's Office becomes aware of new construction through the issuance of a building permit. Building permits are issued by 40 different entities within King County: 39 municipalities and the King County Department of Development and Environmental Services (DDES). The Assessor's Office may discover new construction by other methods as well. For example, appraisers may observe new construction while they are performing fieldwork or revaluations. Applications for certain changes to property (such as merging two parcels or dividing a parcel into smaller parcels) may signal imminent new construction. Commercial appraisers may read in the newspaper of businesses planning new construction. However, because the vast majority of new construction is identified through building permits, our audit focused on those processes dependent on building permit processing.

**Building Permit Processing**

The following are the major steps in the initial permit processing stage:

1. The Assessor's Office collects building permits<sup>12</sup> from the 40 permitting agencies. Thirty-eight of the 40 permitting

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<sup>12</sup> While some of these hardcopies are reproductions of actual permits, the Assessor's Office often receives printouts with information from the local jurisdiction's permit system. Although these reports are not proper permits, we refer to them as such for simplicity.

agencies submit their permits by mail. The Assessor's Office picks up permits from the City of Seattle and DDES. If the Assessor's Office has not received permits from a permitting agency in more than one month, the office will contact that agency to encourage it to send in the permits.

2. The Accounting Division of the Assessor's Office separates permits into three categories: residential permits, commercial permits, and personal property permits.<sup>13</sup> Commercial permits and personal property permits are forwarded to the respective divisions within the department.
3. Residential permits are further sorted into new construction permits and non-new construction permits. The Accounting Division maintains a written protocol for which permits add assessed value to property, and are therefore considered new construction permits.
4. Residential new construction permits are entered into a permit tracking database. Non-new construction permits are discarded.

In the Residential Division, the process continues as follows:

5. Appraisers query the database to determine whether there are new permits to investigate in their assigned area.
6. Appraisers may determine that the permit is not new construction, or that the work would not add assessment value to the property, so a site visit is not necessary.
7. If a site visit is necessary, appraisers visit the site and appraise the new construction. If the construction is not 100 percent complete, the appraiser assigns a value to

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<sup>13</sup> Personal property permits include commercial signage and cell towers, among others.

the percent of construction that is complete, but another site visit will be required after completion of construction.

8. Appraisers complete production reports that update the value of the property in the Assessor's Office's property database.
9. Senior appraisers spot check production reports in order to ensure that new construction is categorized as such, and no other errors have been made in the reports.

The Commercial Division procedures for processing permits differ slightly from the procedures used by the Residential Division. For example, commercial appraisers perform the initial sort of new construction and non-new construction permits, and the division retains hardcopies of non-new construction permits.

### **Management Improvements**

#### **Professional Organizations and Other Counties Described Accepted or Innovative Practices**

In order to identify accepted or innovative assessment practices that help to ensure that new construction data is effectively and efficiently processed, we contacted the International Association of Assessing Officers (IAAO), the Washington Association of County Officials (WACO), the Washington State Association of County Assessors (WSACA), and the following assessors' offices in Washington counties:

- Kitsap
- Pierce
- Snohomish
- Spokane

#### **We Conducted an Online Survey of All 40 Permitting Agencies**

To identify current practices in King County, we interviewed Assessor's Office management and staff. We also conducted an online survey of all 40 permitting agencies. All 40 permitting agencies provided at least a partial response to the survey.

The following table summarizes the Assessor's Office practices compared to practices by other counties or by professional organizations.

<b>EXHIBIT E</b>	
<b>Management Practices to Ensure Efficient and Effective New Construction Assessments</b>	
<b>Management Practices</b>	<b>Assessor's Office Practices</b>
<b>Clear criteria for permit submission</b>	Although the Assessor's Office does have criteria for permit submission, they have not enforced the criteria. However, the Assessor's Office is currently reworking and reissuing permit submission criteria.
<b>Electronic submission of permit data</b>	King County currently receives all permit information in hardcopy format, but it is working on transitioning to an electronic permit data submission system.
<b>Quality control with the permitting agencies</b>	King County reports aggregate annual assessed values back to the permitting agencies. Neither the Assessor nor any permitting agency reconciles permit totals or values.

**SOURCE:** King County Auditor's Office interviews and document review.

### **Clear Criteria for Permit Submission**

**Well-Designed  
Standards Will  
Decrease the Workload  
for Both the Assessor's  
Office and Permitting  
Agencies**

In order to ensure that the Assessor's Office receives all building permit data that may be relevant, the office needs to have clear criteria that permitting agencies follow. Clear criteria will decrease the likelihood that some permitting agencies will fail to send valid new construction permits. In addition, well-designed standards will decrease the workload at both the county and the jurisdiction level: permitting agencies would have fewer permits to prepare and transmit, and the Assessor's Office would have fewer permits to sort.

The Assessor's Office developed criteria for permit submission several years ago. However, the office acknowledged that they have not recently reminded permitting agencies of the criteria, nor have they enforced the criteria since developing them. Our survey of permitting agencies reflected that the agencies were inconsistent in their permit submission practices. Thirty percent

of King County permitting agencies send all the building permits they issue to the Assessor's Office. The other 70 percent sent a subset of their permits. Our online survey further indicated that:

**Lack of Enforcement of Standards Has Resulted in Inconsistent Permit Submission Practices**

- Only one permitting agency follows the statutory guideline of sending all permits over \$500.
- Two permitting agencies reported not sending any commercial permits to the Assessor's Office.<sup>14</sup>
- Three permitting agencies requested that the Assessor's Office clarify what permits should be sent.
- Several categories of permits that were expressly identified by permitting agencies as permits to send to the Assessor's Office were identified by other permitting agencies as permits not to send to the Assessor's Office. The following table shows those categories of permits identified by more than one permitting agencies:

<b>EXHIBIT F</b>		
<b>Permit Types Sent by Some Agencies but Not by Others</b>		
<b>Permit Type</b>	<b>Agencies Sending</b>	<b>Agencies Not Sending</b>
Demolition	8	3
Mechanical	5	18
Sign	4	9
Commercial	4	2
Fire	3	9

**SOURCE:** KCAO online survey of permitting agencies.

**Assessor's Office Revising and Reissuing Permit Submission Criteria**

In Spring 2006, the Assessor's Office began work on new, streamlined permit submission criteria. Upon completion, the office plans to send the criteria to permitting agencies. The criteria would then be sent on a periodic basis to ensure that the permitting agencies are complying with them.

<sup>14</sup> Despite this survey response, both permitting agencies (Carnation and Newcastle) had commercial permits in the Assessor's Office database between 1995 and 2005. Carnation had 10 commercial permits, but none after December 2001. Newcastle had 24 commercial permits, but only four in 2004 and only one in 2005.

**80 Percent of  
Permitting Agencies  
Use a Computerized  
Permit Tracking  
System**

**Electronic Submission of Permit Data**

The current system the Assessor's Office uses to accept permit data from the permitting agencies is prone to problems in transmission, transcription, and record retention. Additionally, the process is most likely slower than it needs to be; as one recent report of the County Executive noted: "Few county services rely upon the U.S. and county mail systems to dictate the speed of business; permitting shouldn't either."<sup>15</sup>

The IAAO recommends implementing an electronic permit data submission system. Such a system would take advantage of the fact that 80 percent of the permitting agencies already use a computerized permit tracking system. Electronic permit data submission systems have been successfully deployed elsewhere in Washington State. The executive report mentioned earlier describes how these systems are designed:

Software applications are available that integrate information from several databases into one easily accessible portal. From this portal, users can retrieve permit applications and supporting documents, track permit progress throughout the county, view inspections results, sign-off on reviews, calculate work hours and develop invoices, and much more. Kitsap County recently implemented this type of technology, and the results have been impressive.<sup>16</sup>

The Assessor's Office has reportedly proposed electronic permit submission to permitting agencies in the past, but technical obstacles have prevented the adoption of such a system.

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<sup>15</sup> Jepson, Sarah and Barnaby Dow, Executive Fellows. *Final Report: Opportunity Analysis of King County's Permitting Process*. June 23, 2005.

<sup>16</sup> *Ibid.*, p. 6.



**The Assessor's Office  
Has Begun to Beta Test  
an Electronic Permit  
Submission System**

However, in Spring 2006, the Assessor's Office began to meet with some permitting agencies to beta test a permit submission system. King County appraisers already use some permitting agencies' systems to determine whether construction has progressed to an extent that it would be an opportune time to schedule a site visit. For example, commercial appraisers access the City of Seattle's permit system to decide whether to visit a site or wait until more progress has been made.

An electronic permit data submission system does not need to be fully implemented all at once; it can be phased in gradually. In one Washington county, the assessor receives most building permit data electronically. However, the cities and towns that do not have electronic permit systems still submit paper permits. None of the county assessor's offices we interviewed received permit data in one single consistent format (i.e., all data is received either manually or electronically). The Assessor's Office plans to take such a gradual approach, accepting electronic permit data from a group of willing permit agencies first.

**A Majority of  
Permitting Agencies  
Prefer to Use an  
Electronic Submission  
System**

In our survey of King County permitting agencies, 26 of 40 agencies expressed a desire to email an attached file. Twelve permitting agencies requested a Web-based interface. Only three permitting agencies would prefer not to use an electronic submission system.

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**RECOMMENDATION 1**

The Assessor's Office should continue its efforts to transition to a predominantly electronic building permit submission system and its simplification of permit submission criteria.

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**Quality Control with the Permitting Agencies**

In reviewing the permit submission processes, we looked for points where permitting agencies would provide a level of quality

control over the data that was submitted to and processed by the Assessor's Office. For example, we looked for opportunities for permitting agencies to review the new construction assessments added by the Assessor's Office, compared to the permit data submitted.

**Reviews in Another  
County Confirm the  
Value of Quality  
Control Between  
Permitting Agencies  
and the Assessor's  
Office**

One Washington county informed us that on two different occasions, municipalities requested a review of the new construction assessment records. These reviews revealed errors on both sides – the municipalities failed to provide some relevant permit data, and the assessor's office failed to properly process some relevant permit data.

We found that King County permitting agencies did not systematically provide quality control over the information they provided. However, the Assessor's Office handles requests to review records on an ad-hoc basis. In addition, the Assessor's Office encourages permitting agencies to access the Assessor's Office Web page, which provides information about individual parcels and their assessments. However, the office did acknowledge that these instructions could be more systematically communicated to the permitting agencies.

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**RECOMMENDATION 2**

The Assessor's Office should work with the permitting agencies to build quality control features into its electronic permit submission system to ensure data reliability.

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# 3 NEW CONSTRUCTION PRODUCTIVITY AND PERFORMANCE MEASUREMENT

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## Chapter Summary

This chapter reviews the Assessor's Office practices in the areas of new construction assessment productivity and performance measurement.

## Summary of Findings

**Performance Measures  
and Targets for New  
Construction  
Assessment Help  
Demonstrate Efficiency  
and Effectiveness**

The Assessor's Office does not include workload performance measures in its annual business plan. Since it appears that the Assessor's Office tracks key data on the new construction function, the inclusion of performance measures and targets would be advantageous in demonstrating the efficiency and effectiveness of work performed.

## Summary of Recommendations

We recommend that the Assessor's Office include aggregate efficiency and effectiveness performance measures and targets for meeting its goals for new construction assessments in its annual business plan.

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## NEW CONSTRUCTION ASSESSMENT PRODUCTIVITY

In evaluating the Assessor's Office's new construction assessment program, we looked at standard evaluation criteria for workload and productivity. In many cases assessing and managing workload and productivity involves evaluation of staffing practices against various benchmark measures to determine the number and type of employees needed to conduct business effectively. A study of workload and productivity can provide objective guidance for identifying the need to add staff, or

it can provide suggestions for deploying staff most effectively. The sections below contain information about relevant tools other organizations use to track and evaluate workload and productivity.

### **Staffing Models**

In order to achieve the most cost-effective staffing practices, agencies may employ a staffing model. Such models analyze current staffing needs and identify the costs and benefits of alternative staffing arrangements. The benefits of employing a staffing model include:

#### **Staffing Models**

#### **Identify the Costs and Benefits of Alternative Staffing Arrangements**

- Distinguishing key workload factors and processes
- Setting benchmarks for efficiency
- Estimating the impact of workload changes on staffing needs
- Identifying the effect that changes to staffing and processes have on performance

For an assessor's office, a staffing model might be used to divide appraisal work into major workload categories, such as annual revaluations, physical inspections, and new construction. It could then be used to establish benchmarks for efficiently completing each major workload item. A staffing model could also help the office identify the costs and benefits of alternative staffing arrangements, such as whether to hire more staff or increase the use of overtime or whether to divide the work seasonally or establish a specialized unit to focus on each workload item.

### **Production Rates**

The International Association of Assessing Officers (IAAO) emphasizes the importance of establishing production rates or workload standards for major appraisal tasks. According to IAAO, these rates are crucial for "planning, budgeting, prioritizing work

and staff loads, and evaluating personnel performance.”<sup>17</sup> As an example, IAAO provides the following production rates for new construction.

<b>EXHIBIT G</b>	
<b>Typical Production Rates for New Construction</b>	
<b>Property Type</b>	<b>Parcels Reviewed per Day</b>
Apartments, Commercial, and Agricultural	2-4
Homes	8-10
Vacant Land	30-50

**SOURCE:** “Assessment Practices, Self Evaluation Guide, Second Edition,” IAAO

**Assessor’s Offices  
Should Develop Their  
Own Production Rates**

IAAO cautions that assessment departments should develop their own rates based on local conditions. Development of such rates requires that the office keep and maintain detailed records on workload and time tracking. The rates should be reviewed regularly to:

- Adapt to changing local conditions,
- Monitor for changes in department productivity, and
- Use in individual performance evaluations.

Our interviews with other Washington counties yielded at least one other county that uses production rates as an objective basis to quantify staffing needs and measure both individual appraiser and office-wide performance.

<sup>17</sup> Assessment Practices, Self-Evaluation Guide, Second Edition.

**King County Production Rates and Staffing Model**

The Assessor's Office has divided King County into five geographic regions (Northeast, Northwest, Southeast, Southwest, and West Central) with appraisal staff in each region shifting their focus fully to new construction assessments once annual revaluations are completed. For each region, the office has established production rates that are reportedly based on known factors, such as location and complexity of the new construction, time needed for travel, and appraiser experience.

The following table shows the production rates the Assessor's Office has assigned different districts, which are consistent with those from IAAO.

<b>EXHIBIT H</b>					
<b>Daily Production Rates for Residential New Construction</b>					
<b>Property Type</b>	<b>NE</b>	<b>NW</b>	<b>SE</b>	<b>SW</b>	<b>WC</b>
New construction	5	5	4	6	4
Revisit to update percent completion	15	20	20	20	20
Remodels	22	18	18	6	18
New plat	100	30	30	30	30

**SOURCE:** King County Assessor's Office.

Each year the Assessor's Office develops a workplan for each region that establishes the volume of work to be performed and identifies staffing levels needed to complete the work based on production rates set at the region level.

In each region, appraisers use a worksheet to track progress on each parcel and maintain a sign out log showing when work is performed. In addition, each appraiser and team maintains a "Weekly Production Report." This report tracks the date, activity, parcels completed, time spent, and the appraiser's name.

The information obtained from the weekly production reports is summarized and maintained in a team report titled “Weekly Maintenance Totals and Totals to Date.” It lists all appraisers assigned to a geographic area (team) and shows all completed activities and time spent on those activities for both the week ending and year to date

In addition to the maintaining and tracking of appraiser and team reports, management can query new construction information at anytime by parcel, property type, and appraiser.

The Assessor’s Office utilizes a basic staffing model that incorporates the data described above. The model estimates workload and uses the production rates developed by region to determine the FTEs needed to complete the workload.

We did not verify the validity of the underlying assumptions of the model as that was beyond audit scope. Because of the size of the budget and the number of FTEs involved in the appraisal process, the council may wish to consider whether a more detailed review of staffing and the staffing model is advisable.

### **Performance Measures and Targets**

A performance measurement system can provide a tool for both decision making and communicating performance results.

Performance measures are quantifiable measures that provide the way to track progress toward meeting organizational and countywide goals and objectives. Performance targets can indicate achievement to be attained, usually within a specified time period. They provide the baseline against which actual performance data will be compared. A target such as this should not be construed as an estimate of the expected total dollar value of new construction assessments in an upcoming year. The Assessor’s Office has indicated that developing such an estimate



would be contrary to professional practices for assessors.

**The Assessor's Office's  
Goal for New  
Construction  
Assessments Lacks  
Performance Measures  
and Targets**

The 2005 business plan for the Assessor's Office includes one goal related to new construction: "Identify and place all available county new construction on the assessment roll." However, the business plan does not identify the performance measures that the Assessor's Office plans to use in order to track achievement, nor does the plan identify any performance targets. During the course of this audit, the Assessor's Office has identified performance measures used to evaluate the efficiency and effectiveness of appraisers, including:

- Parcels appraised per hour by type (efficiency)
- Percent of appraisals successfully appealed (effectiveness)

These performance measures are not designated at program, but rather at the appraiser level. In addition, the performance measures are not specific to *new construction* assessments.

Since it appears that the Assessor's Office has all the available components to track key data on the new construction assessment function and its other activity, the inclusion of aggregate performance measures and targets would be advantageous in showing the overall performance of the office.

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**RECOMMENDATION 3**

The Assessor's Office should include in its 2007 business plan aggregate efficiency and effectiveness performance measures and targets for meeting its goals for new construction assessments.

# 4 FORECASTING NEW CONSTRUCTION ASSESSMENTS

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## Chapter Summary

In Chapter 1, we discussed the importance of new construction assessments to the county and municipal budgets. This chapter describes the importance of accurately forecasting new construction assessments, given that the timetables for new construction assessments and for the King County's budget process conflict. It also discusses the approaches used by King County and three other Washington counties in forecasting the revenue due to new construction assessments.

## Summary of Conclusions and Recommendations

### **OMB Forecasts Have Been Accurate . . .**

We conclude that despite the perception that new construction assessments forecasting has not been reliable, the Office of Management and Budget's (OMB) approach to forecasting has been more accurate than that of other Washington jurisdictions. However, through better communication and information exchange with the Assessor's Office, OMB could increase confidence in the forecasting model.

### **. . . but Collaboration Could Improve the Process**

We recommend that the OMB further collaborate with the Assessor's Office on the development of its new construction assessments estimates for budgeting purposes.

## Background

King County's budget process requires estimates of the values for new construction assessments before those assessments have been finalized. The chronology (below) of key milestones in

the budget preparation process and the new construction assessments process reveals several other differences:

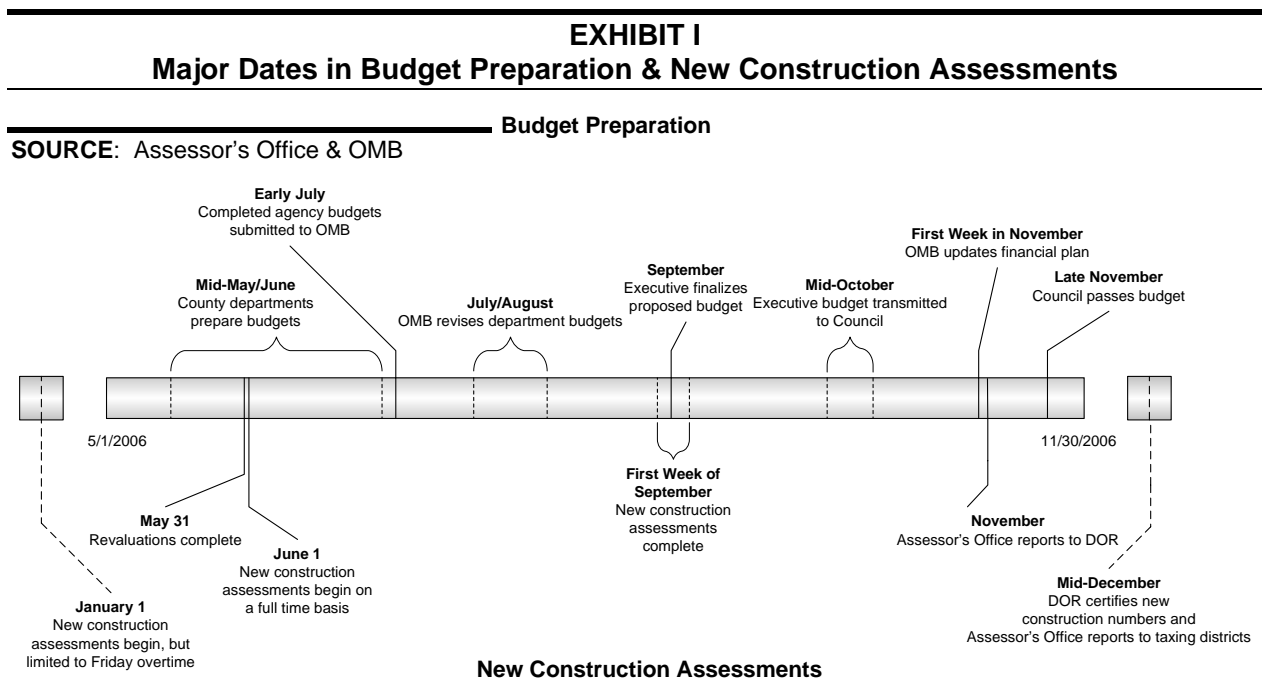
### Key Milestones

- **January 1:** New construction assessments begin. Appraisers typically begin to work one day a week (Friday) of overtime on new construction assessments. Their primary focus at this time is real property revaluation, which continues until May 31.
- **Mid-May to June:** The budget process begins for King County departments with development of the departments' "proposed status quo" budgets, which reflect a "base" budget that provides the same level of services as the current year at the inflated cost of the new year. Concurrently, the OMB provides departments with OMB's estimate of revenue from new construction assessments. Real Property revaluations are completed by May 31, and new construction assessments begin as a dedicated, full-time task, rather than just as Friday overtime.
- **July to August:** King County departments submit completed budgets to OMB in early July. During July and August, OMB revises department budgets, based in part on revised revenue estimates.
- **September:** The executive finalizes the proposed budget. New construction assessments are completed, but the estimated revenue numbers are not yet available for budgeting purposes.
- **Mid-October:** The executive presents the budget to King County Council.
- **November:** OMB revises the financial plan, which the council receives and uses to review and adopt the budget

and financial plan by December 1. The Assessor's Office reports new construction numbers to the Washington State Department of Revenue (DOR).

- **December:** DOR certifies the county's new construction assessment numbers. The Assessor's Office then reports these numbers to the taxing districts.

The timeline below shows these dates graphically.



### Forecasting New Construction Assessments

#### **Budgets Must Be Prepared Before New Construction Assessments Are Complete**

As depicted by the timeline above, one key conflict is that departmental budgets must be prepared well before the Assessor's Office has determined the actual value of new construction assessments. OMB requires that departments submit their final budgets in early July, yet new construction assessments are not completed until September, and the numbers are not finalized until December.

The county's budget preparation cycle requires that the county develop a forecast of the estimated revenue due to new construction assessments as part of a forecast of total revenue. New construction assessment revenue has become increasingly important because of its magnitude and its ability to add new revenue to the county treasury. Therefore, the forecasts of new construction assessments need to be as accurate as possible to enhance the credibility of the information available to council when making spending decisions.

**OMB Forecasts New  
Construction  
Assessments for  
Budgeting Purposes**

In lieu of actual figures and in order to provide departments with an estimated new construction revenue number, OMB uses an econometric model to forecast new construction assessments as a percentage of total assessments. An econometric model is a mathematic equation that predicts how one economic variable will change when other variables change. In this case, OMB's econometric model predicts how new construction assessments will change based on changes in key economic indicators (such as county employment, personal income, and permit data from the Census Bureau). OMB staff told the audit team that having actual new construction values by the beginning of September would enhance their ability to update their forecasts during the budget process. The Assessor's Office reported that it is able to provide actuals to-date by the end of August.

Exhibit J shows OMB's forecasts and actual new construction assessments for 2003 to 2005.

**EXHIBIT J**  
**OMB Forecasted New Construction Assessments Compared**  
**to Actual New Construction Assessments**

	New Construction: Percentage of Total Assessments*			New Construction: Dollar Value of Assessments		
	Forecasted	Actual	Variance	Forecasted	Actual	Variance %
<b>2003</b>	1.99%	1.77%	0.22%	\$ 4,136,975,166	\$ 3,679,621,128	12.43%
<b>2004</b>	2.19%	1.88%	0.31%	\$ 4,813,394,880	\$ 4,132,046,746	16.49%
<b>2005</b>	2.03%	2.08%	(0.05%)	\$ 4,718,907,372	\$ 4,835,136,617	(2.40%)

**SOURCE:** King County OMB

\* Note that OMB reports its forecasts to Council in this format.

In the initial stages of our audit, interviews with OMB, Council staff, and the Assessor's Office revealed varying perceptions of the reliability of new construction forecasting. However, King County's forecasting approach appears to be far more accurate than the forecasting methodologies used by the other Washington jurisdictions that we interviewed.

**Other Approaches to Forecasting New Construction Assessments**

None of the other four Washington counties we surveyed used an econometric model to forecast new construction assessments. Instead, other counties used one of two alternate approaches: either a simple trend analysis using permit values or an analysis that converts permit values into expected new construction assessment values.

**Alternate Approaches  
to Forecasting  
Produced Less  
Accurate Results**

The counties that use a simple trend analysis consider the change in building permit volume from one year to the next, and assume that new construction assessments will change at a similar rate. For example, if permit values are three percent higher from January 2005 to June 2005 than they were in same period of 2004, then the office would predict that new construction assessments would be three percent higher in 2005 than they were in 2004.

Counties that convert permit values into new construction assessment values use historical data to predict a relationship between permit value and assessment value. For example, if \$1 in permit value on average over the past five years equates to \$1.35 in assessment value, then \$1,000,000 in permit values would produce an estimate of \$1,350,000 in new construction assessments.

Although the counties we spoke with were satisfied with the simple trend analysis and permit value conversion systems they used, neither system provided accurate results when we attempted to use similar methods to estimate King County's new construction assessments for past years. We tested the two approaches using data from 1999-2003 to forecast anticipated new construction assessments for 2004, but neither method provided greater accuracy than OMB's econometric model.

A representative of Washington Association of County Officials (WACO) noted that most counties probably conduct a simple trend analysis, based on the assumption that the value of new construction is relatively constant from year to year. However, he cautioned against building forecasts from permit values because permits:

1. Do not represent assessment value.
2. May be issued but never actually acted upon.
3. Do not identify to what extent the construction is complete.

**The King County  
Assessor's Office Does  
Not Forecast New  
Construction  
Assessments**

The WACO representative noted that assessors' offices should be more involved in the forecasting of new construction assessments, because they have a better understanding of the volume of new construction that will be assessed during the summer months. However, the King County Assessor's Office has a policy of not forecasting new construction assessments.

**Conclusions**

In our interviews with county staff involved in the budget process, the audit team discovered varying perceptions about the forecasting of new construction assessments. Some questioned the reliability of dollar figures forecast by the OMB and actual numbers reported by the Assessor's Office.

The lack of confidence in the forecast appears to arise due to differences in the expectations of what the OMB model should provide. While the OMB model has been accurate in predicting new construction assessment value, for some years converting that assessment value into revenue and determining the impact to the county budget produced inaccurate results. However, OMB reported that council staff coordinated an effort among the OMB, Assessor's Office, and council staff, which resolved the conversion issues.

The Assessor's Office does not actually prepare estimates. It only reports new construction assessment dollars to-date. And at the time that OMB prepares its forecast, the process of appraising new construction is less than half complete. As discussed in this chapter, the OMB's estimates of new construction assessments have been relatively accurate when compared to the final figures developed by the Assessor's Office.



**Collaboration Will  
Result in More  
Confidence in Forecasts**

In order to improve clarity and transparency in preparing revenue estimates for new construction, and to promote greater confidence in the final product, we suggest that OMB work more closely with the Assessor's Office to prepare estimates of new construction revenue, and to update those figures throughout the budget process and remainder of the fiscal cycle.

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**RECOMMENDATION 4**

King County OMB should work collaboratively with the Assessor's Office to prepare new construction revenue estimates for budgeting purposes.

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## **APPENDICES**

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## **LIST OF RECOMMENDATIONS & IMPLEMENTATION SCHEDULE**

### **Recommendation 1:**

The Assessor's Office should continue its efforts to transition to a predominantly electronic building permit submission system and its simplification of permit submission criteria.

**Implementation Date:** Late 2006

#### **Estimate of Impact:**

An electronic system is faster, more accurate, easier for the permitting agencies, given that a majority of permitting agencies already use a computerized permit tracking system. Communicating clear criteria will increase the likelihood that some permitting agencies will send all valid new construction permits. In addition, well-designed standards will decrease the workload at both the county and the jurisdictions level: permitting agencies would have fewer permits to prepare and transmit, and the Assessor's Office would have fewer permits to sort.

**Recommendation 2:** The Assessor's Office should work with the permitting agencies to build quality control features into its electronic permit submission system to ensure data reliability.

**Implementation Date:** Late 2006

#### **Estimate of Impact:**

A system that would allow permitting agencies to double-check properties they know to be complete and ensure that those properties have been properly included on the tax assessment rolls would provide a valuable quality control check on the new construction assessment process.

### **Recommendation 3:**

The Assessor's Office should include in its 2007 business plan aggregate efficiency and effectiveness performance measures and targets for meeting its goals for new construction assessments.

**Implementation Date:** 2007 Business Plan Submission

#### **Estimate of Impact:**

Performance measures would allow the Assessor's Office to track progress toward meeting its strategic business plan goal for new construction assessments. Targets for such measures would provide the baseline against which actual performance data will be compared. Both measures and targets provide a tool for departmental decision making and communicating performance results.

## **LIST OF RECOMMENDATIONS & IMPLEMENTATION SCHEDULE (Continued)**

### **Recommendation 4:**

King County OMB should work collaboratively with the Assessor's Office to prepare new construction revenue estimates for budgeting purposes.

**Implementation Date:** 2008 Budget Cycle

### **Estimate of Impact:**

The exchange of information about the model, its components, and its output will increase transparency of the process and confidence in and credibility of the product.

## ASSESSOR'S RESPONSE



### King County

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Scott Noble  
Assessor

Date: June 8, 2006

To: Cheryle A. Broom, County Auditor

From: Scott Noble, County Assessor

Re: Performance audit of new construction

Thank you for this opportunity to respond to the recently completed performance audit of new construction. I wish to also extend this department's thanks to the audit team that undertook this complex project. They tackled a very difficult assignment with great enthusiasm and professionalism.

I am pleased to see that this audit confirms compliance with the relevant laws related to new construction assessments. I am very proud of the outstanding work that the men and women of this department deliver on a daily basis. This department has earned national recognition as a model for professional, efficient and accurate assessments practices. The audit report reinforces this fact.

Generally speaking the recommendations are acceptable. Most of them deal with system changes that have been in process within the department for many years. It is good to see that your audit team found this department to be on the right track as it relates to such undertakings as receiving building permit information electronically, simplifying permit submission criteria and the tracking and vigilant monitoring of workforce activities.

Specifically let me respond to each recommendation individually:

**Recommendation #1: Concur**

The department has always maintained building permit criteria. Within the past 6 months the criteria has been reviewed and streamlined. Beginning with the next new construction cycle, and continuing annually thereafter, the department will contact each permitting agency and re-acquaint them with the permit criteria and any changes.

## **ASSESSOR'S RESPONSE (Continued)**

### **Recommendation #2: Concur**

The department actually began this project in 1994, at which time the King County Council was briefed on the plan. Since that time this department has worked with the various permitting agencies within King County to bring the plan to life. Unfortunately some cities lack adequate technical capabilities, drawing the project out. This past spring some of my staff met with representatives of several of the major permitting agencies within King County and discussed a protocol that can be followed to allow the electronic transfer of building permit information. The system is currently being tested with an expected roll out date of late 2006. When this protocol has been tested and validated it should open the door to receiving the majority of building permit information electronically.

### **Recommendation #3: Concur**

The State of Washington and the Assessor's office have historically established performance measures for all aspects of appraisal operations. With the 2007 budget request the business plan section dealing with new construction will be fortified.

### **Recommendation #4: No comment**

This recommendation is directed at King County OMB and not the Assessor. Consequently it would be inappropriate for the Assessor's office to offer comment. This department itself does not prepare new construction forecasts. That policy will not change within the Assessor's office.

Thank you and all the best regards and respects.

## EXECUTIVE RESPONSE



### King County

#### Ron Sims

King County Executive

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**RECEIVED**

**JUN 09 2006**

**KING COUNTY AUDITOR**

June 9, 2006

Cheryle A. Broom  
King County Auditor  
Room 1033  
COURTHOUSE

Dear Ms. Broom:

Thank you for the opportunity to review your Performance Audit of New Construction Assessments. I share the County Council's interest in new construction assessment accuracy and efficiency, and I commend you and your staff for undertaking this important audit.

As the proposed final report notes, the econometric methods employed by the Office of Management and Budget (OMB) to forecast new construction assessments have been more accurate than that of other Washington jurisdictions. OMB agrees with your conclusion that better communication and information exchange with the Assessor's Office would improve confidence in the forecasting model. OMB further notes that better access to assessment data would also enhance forecast accuracy, as indicated by the Assessor's Office's report that to-date actuals can be made available to OMB by the end of August.

Recommendation four of this performance audit jointly concerns OMB and the Assessor's Office. OMB concurs with recommendation four, and will undertake the following annual implementation steps starting with the 2008 budget cycle:

**April** OMB will brief the Assessor's Office on planned methodology for new construction assessment forecasts, along with data requirements. The Assessor's Office will have the opportunity to provide feedback on methods and the feasibility and timetable for delivering requested data.

**August** Delivery of data to OMB by Assessor's Office.

**October** Following transmittal of Executive Proposed Budget to the Metropolitan King County Council, OMB will jointly brief Assessor's Office and County Council on forecast methodology and output.



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• 1202M



## EXECUTIVE'S RESPONSE (Continued)

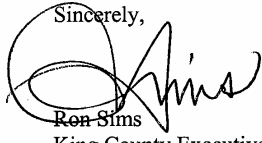
Cheryle A. Broom  
June 9, 2006  
Page 2

**December** Collaborative work between County Council, Assessor, and OMB staff with assistance from the Prosecuting Attorney's Office to calculate final levy limits and levy amounts for the property tax levy ordinance.

**January** Collaborative work between County Council, Assessor, and OMB staff with assistance from the Prosecuting Attorney's Office to verify final levy amounts for the property tax corrections ordinance.

With greater collaboration between the Assessor's Office and OMB, I believe we can further our regional leadership position in providing timely and accurate budget projections, to the greater service of the citizens and taxpayers of King County.

If you require additional information, please do not hesitate to contact Chris Bushnell, PhD, Economist, King County Office of Management and Budget, at 206-296-3434. Thank you.

Sincerely,  
  
Ron Sims  
King County Executive

cc: Kurt Triplett, Chief of Staff, Office of the King County Executive  
Bob Cowan, Director, Office of Management and Budget (OMB)  
Dave Lawson, Manager, Executive Audit Services  
Chris Bushnell, Economist, OMB